

Many More Banks in New York City

(But Only For Some)



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Introduction

There are 338 (27%) more bank branches in New York City today than there were six years ago. But New York City's low-income neighborhoods have gotten too few of these branches and the resources they bring with them. Neighborhoods where the median household income is above \$35,000 increased by 263 branches, but only 75 branches were built in the Bronx and Brooklyn, where the median household income is below \$35,000. In the last year alone, New York City's banks increased 8% (122 branches). More than three quarters of this growth was in Manhattan.

Access to financial institutions is crucial to New Yorkers striving to move into and struggling to stay in the middle class. New Yorkers without a personal bank account are forced to use so-called alternative or "fringe" financial services like check cashing stores, payday loans, and pawn shops. These services cost drastically more than similar services in banks. Check cashing services charge an average 4.11% per check. Payday lenders, on average, charge interest rates equivalent to an Annual Percentage Rate (APR) over 400%. A person with a monthly income of \$1,750 would pay close to \$1,000 in total annual costs when using a check-cashing outlet to cash their paycheck and pay their bills. That person could do the same for less than \$100 at a bank or credit union.¹

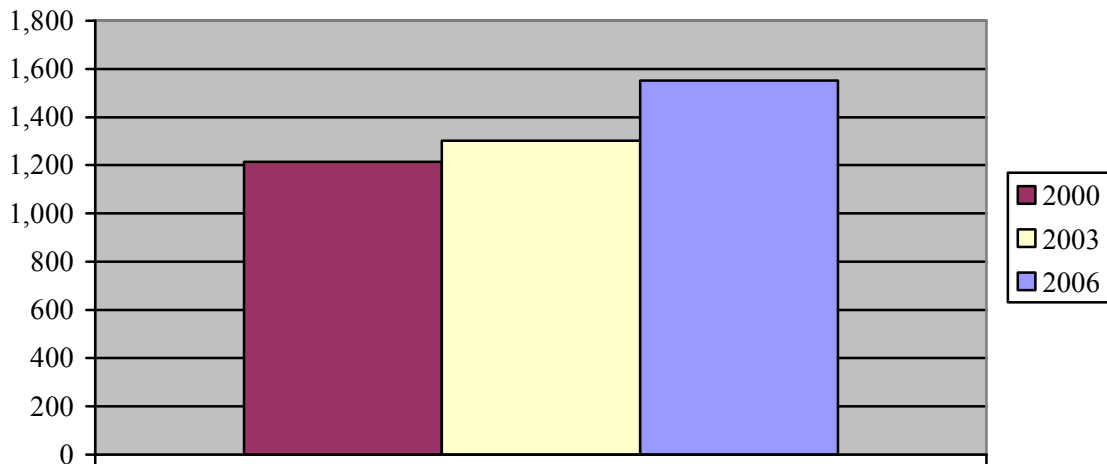
New Yorkers who use alternative services have less take-home pay, are less able to accumulate long-term and emergency savings (making them more vulnerable to high-interest loans), and have a harder time establishing credit or qualifying for a loan. This creates a cycle of dependency on high cost services making wealth-accumulation almost impossible.

This report finds that the number of bank branches in New York City has increased dramatically over the last six years, but it has disproportionately increased in wealthier areas.

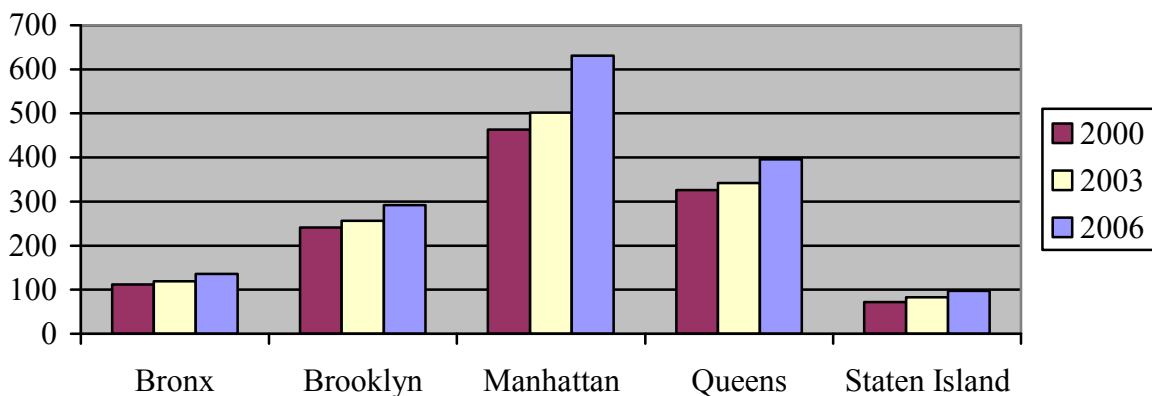
A Banking Explosion in New York City

Over the last six years New York City has seen a tremendous growth in the number of bank branches. Between 2000 and 2006 there was a 28% increase in the number of branches in New York City. Nineteen percent (19%) of which occurred between 2003 and 2006.

**Total Number of
Bank Branches in NYC**



Bank Branches By Borough Over the Last Five Years



Over the last six years, Manhattan, where the median household income is \$47,030, has seen an increase of 168 banks, while the Bronx, with a median household income of \$27,611, has only had an increase of 24 banks.

Borough	Median Household Income	Net Gain in Banks From 2000-2006
Bronx	\$27,611	24
Brooklyn	\$32,135	51
Manhattan	\$47,030	168
Queens	\$42,439	70
Staten Island	\$55,039	25

Poor Areas are Underserved

There is great disparity between New York City's wealthiest and poorest neighborhoods in terms of access to traditional financial services. For example, in the City's 20 poorest neighborhoods, with almost one million residents, there are only 67 branches. Only 9 additional branches have been added in the last six years. In the City's 20 wealthiest neighborhoods, with 650,000 residents, there has been a net gain of 88 additional branches.

New York City's 20 Poorest Neighborhoods:

Median Household Income	Neighborhoods	Borough	Banks in 2000	Banks in 2006	People Per Bank	Change in Banks Over Last 6 Years
\$14,271	Mott Haven	Bronx	1	1	34,976.0	0
\$14,896	Washington Heights	Manhattan	3	4	8,175.5	1
\$16,339	Co Op City	Bronx	5	7	1,622.0	2
\$16,664	Morrisania	Bronx	0	0	NA	0
\$17,370	Lincolnton/ East Harlem	Manhattan	0	1	21,737.0	1
\$17,498	Longwood-Morrisania	Bronx	4	3	13,026.7	-1
\$17,970	College/ Harlem	Manhattan	0	3	8,615.7	3
\$18,661	Metropolitan	Brooklyn	4	3	23,010.7	-1
\$19,233	Tremont	Bronx	1	1	69,048.0	0
\$19,389	Fordham- Little Italy	Bronx	4	5	7,493.0	1
\$19,517	West Farm	Bronx	3	4	13,426.8	1
\$20,307	Einstein	Bronx	6	6	6,826.8	0
\$20,606	Stadium/University Heights	Bronx	3	3	24,046.0	0
\$20,839	Brownsville	Brooklyn	2	3	28,387.0	1
\$21,109	Hunts Point	Bronx	3	3	25,591.7	0
\$21,281	Coney Island	Brooklyn	4	5	10,241.0	1
\$22,072	Mount Carmel/Botanical	Bronx	4	6	12,973.3	2
\$22,232	Hell Gate/ East Harlem	Manhattan	6	5	15,078.0	-1
\$22,305	Bushwick	Brooklyn	3	2	38,181.5	-1
\$23,104	Bay Area	Brooklyn	2	2	24,455.0	0

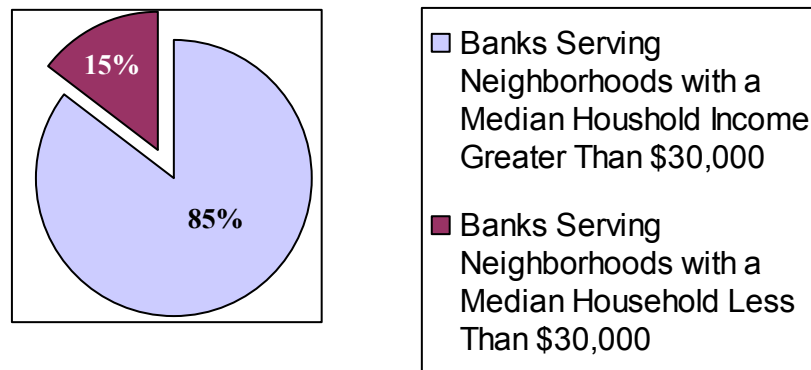
New York City's 20 Wealthiest Neighborhoods:

Median Household Income	Neighborhoods	Borough	Banks in 2000	Banks in 2006	People Per Bank	Change in Banks Over Last 6 Years
\$112,947	Battery Park City	Manhattan	9	11	320.2	2
\$101,868	Bowling Green	Manhattan	9	10	122.5	1
\$80,406	Midtown	Manhattan	48	54	567.4	6
\$79,517	Wall Street	Manhattan	6	11	80.4	5
\$78,066	Upper West Side	Manhattan	5	9	7,157.1	4
\$77,565	Gracie/ Yorkville	Manhattan	13	16	2,811.7	3
\$75,472	Lenox Hill/ Upper East Side	Manhattan	27	41	2,505.1	14
\$72,424	Ansonia/ Upper West Side	Manhattan	13	18	3,455.6	5
\$71,295	Floral Park	Queens	9	8	3,188.9	-1
\$70,031	Colonial Park/ Washington Heights	Manhattan	3	4	14,964.0	1
\$69,273	Grand Central/ Murray Hill	Manhattan	37	57	284.3	20
\$67,728	Eltingville	Staten Island	7	10	5,886.7	3
\$67,550	Little Neck	Queens	3	3	2,305.7	0
\$66,601	Village/ West Village	Manhattan	5	6	5,444.5	1
\$66,342	Murray Hill	Manhattan	24	33	1,552.0	9
\$65,397	Princes Bay	Staten Island	4	8	3,400.9	4
\$64,159	Princess Bay	Staten Island	2	3	3,893.0	1
\$62,467	Madison Square/ Union Sq.	Manhattan	14	23	1,148.2	9
\$62,352	East Meadow	Queens	4	5	2,673.2	1
\$62,071	Cambria Heights	Queens	0	0	NA	0

In New York City households with higher incomes have greater access to banks compared to lower income households. Households with a median income of \$60,000 or above have one bank for every 2,165 people. Households with a median income under \$19,000 have one bank for every 14,153 people.

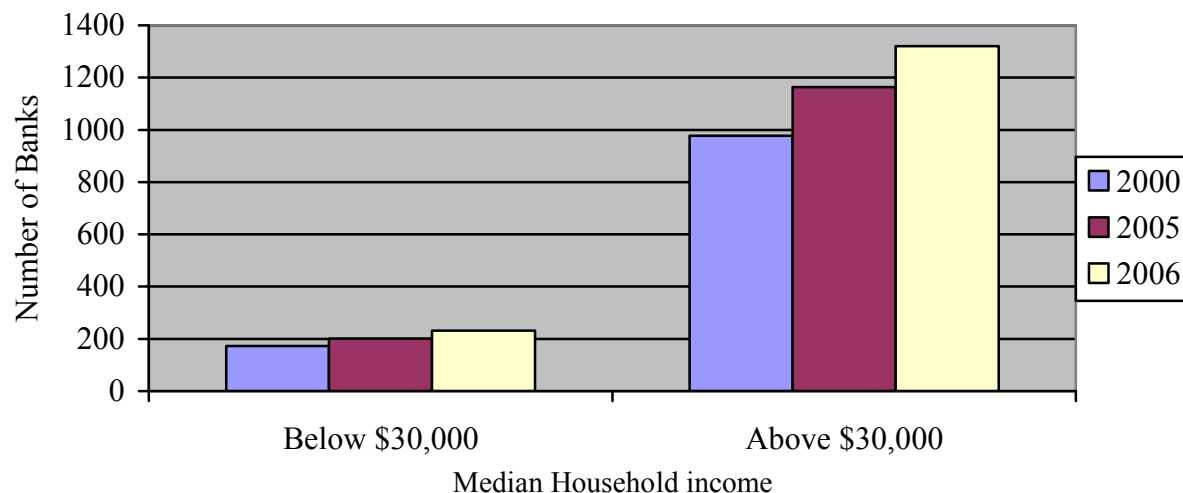
Median Household Income	People Per Bank 2006
Under \$19,000	14,153
\$19,000-\$34,999	8,799
\$35,000-\$59,999	4,464
\$60,000 and above	2,165

The great majority of bank branches in New York City are located in neighborhoods where the median household income is greater than \$30,000. Only 15% of the banks in New York City are in neighborhoods where the median household income is below \$30,000 a year.



Over the last six years although New York City has gained an additional 338 banks, this growth has been almost exclusively in the wealthiest communities. Manhattan and Staten Island, the two boroughs with average household incomes over \$47,000, have grown by 36% since 2000, whereas the other three boroughs have grown by only 21%. Of the 338 new banks only 59 of them have appeared in areas where the average household income is \$30,000 or less.

Number of Bank Branches in 2000, 2005, and 2006



Solutions

The following solutions improve and enforce federally mandated banking standards and encourage banks to enter and stay in low-income neighborhoods.

Reform the Community Reinvestment Act

In 1977, Congress passed the Community Reinvestment Act (CRA) because financial institutions were under serving low-income areas. The CRA was intended to provide these areas with access to housing, financial resources, consumer and business lending, community investments, and low-cost services.

Banks are assessed by federal agencies which rate their effort to serve the needs of low-income neighborhoods. These ratings are ineffectual. Ninety-nine percent (99%) of all examined institutions received a “Satisfactory” or “Outstanding” ratingⁱⁱ yet the banking industry continues to deny the mortgage loan applications of African Americans and Latinos twice as frequently as those of white applicants. Furthermore, regulators cannot sanction banks when they fail to meet CRA requirements. CRA scores are only consequential when banks are applying to move offices or merge with or buy another institution. Even then, since 1988, sixty-eight of the 13,500 applicant banks were ranked “Needs Improvement” or “Substantial Noncompliance.” Only 25 were denied their applications.

We should strengthen the CRA disciplinary power by providing regulators with enhanced sanctioning power and by denying the expansion and merger applications of banks who fail.

Additionally, CRA assessment standards should be revised. During an assessment banks are awarded points for ratings between “Outstanding” and “Substantial Noncompliance” in three categories: Lending, Investment, and Service. Currently these points weight a bank’s lending practice equal to their investment and service practices combined. Lending to underserved communities was and remains a high priority, but this policy clearly fails to encourage banks to open branches in and provide innovative banking services to these communities. The CRA assessment standards need to be revised to measure and adequately weight branch distribution and service provision in low income neighborhoods.

Finally, the CRA service test needs major improvements to accurately measure a bank’s services in lower income neighborhoods.

Create Incentives for Banks to Expand in these Markets

Banks are averse to entering into low-income neighborhoods because of the stigma and added costs of doing business in these neighborhoods and the expected small value of individual deposits and transactions. Currently CRA standards are not used when assessing where the federal government deposits its funds. We should leverage the government’s financial power by including CRA standards when determining where treasury funds are deposited. These deposits would decrease the banks’ risk.

Conclusion

Access to banking institutions is essential for all New Yorkers. Cashing and writing checks, earning interest, and utilizing low-interest credit and mortgages are vehicles to higher education, home ownership, and financial security. Thirty years ago Congress passed the Community Reinvestment Act to force banks to service low-income neighborhoods. Currently, the limited availability of bank branches in low income areas prevents many families from moving into and staying in the middle class. Improving the CRA's assessment criteria, strengthening the CRA's disciplinary power, and providing financial incentives for banks to open in underserved neighborhoods will go a long way to increase the presence of branches in the communities that need them the most.

Methodology

Data in this report was taken from the Federal Deposit Insurance Cooperation's (FDIC) summary of deposits and the 2000 U.S. Census. The number of banks was determined from bank filings of their summary of deposits to the FDIC. All median household income levels and population figures were taken from the 2000 U.S. Census.

ⁱ National Community Reinvestment Coalition, "Are Banks on the Map?" 2007.

ⁱⁱ CRS Report for Congress, "Community Reinvestment Act: Regulation and Legislation," June 20, 2007.